



HONG KONG MONETARY AUTHORITY
香港金融管理局

Our Ref.: B1/15C
B10/14C

7 April 2020

The Chief Executive
All Authorized Institutions

Dear Sir/Madam,

Coronavirus disease (COVID-19) and Anti-Money Laundering and Counter-Financing of Terrorism (AML/CFT) measures

I am writing to share observations gathered through our recent engagement with Authorized Institutions (AIs) and set out the type of support, guidance and assistance in relation to money laundering and terrorist financing (ML/TF) risk management that the HKMA is providing to support swift and effective implementation of measures in response to COVID-19. The HKMA acknowledges that COVID-19 poses unprecedented challenges, which impact the normal operations of the AML/CFT systems and customer due diligence processes of AIs.

The content of this letter resonates with the statement published by the Financial Action Task Force (FATF) on 1 April 2020 encouraging governments to work with financial institutions and other businesses in support of COVID-19 aid and containment efforts whilst remaining alert to new and emerging risks¹. In particular, the statement encourages use of the flexibility built into the FATF's risk-based approach and the fullest use of reliable digital customer on-boarding; emphasises the role of the FATF Standards in giving confidence in financial transactions; and draws attention to COVID-19 related financial crime risks.

Remote on-boarding and simplified due diligence²

While noting the anti-infection measures which AIs have put in place in their branches to maintain essential banking services to the public in the light of COVID-19, we believe the use of financial technology (FinTech) will provide significant opportunities to manage some of the challenges presented by the current situation, especially the

¹ The FATF statement can be found at: <https://www.fatf-gafi.org/publications/fatfgeneral/documents/statement-covid-19.html>

² Paragraph 4.8 of the Guideline on Anti-Money Laundering and Counter-Financing of Terrorism

community efforts on social distancing. In particular, following the guidance³ and ongoing dialogue of the HKMA with AIs and FinTech companies since 2018, so far more than 10 retail banks have launched remote account opening services and other banks are considering or testing similar initiatives. AIs are encouraged to continue to work closely with the HKMA to provide greater convenience for account opening and continued access, physically and digitally, to essential banking services to the public amidst our fight against COVID-19.

Where AIs identify lower ML/TF risks, the Anti-Money Laundering and Counter-Terrorist Financing Ordinance, and the Guideline on Anti-Money Laundering and Counter-Financing of Terrorism (for AIs) issued by the HKMA, allow simplified due diligence measures to be taken, which may help AIs adapt to the current situation. Specifically, AIs should seek to effectively understand the risks involved when opening accounts for residents solely for the purpose of the Government's HK\$10,000 cash payout scheme, and apply the least extent of customer due diligence as commensurate with the circumstances.

Remaining vigilant to COVID-19 related financial crime risks

In line with FATF's observations, it has become apparent that criminals are taking advantage of COVID-19 to perpetrate a number of fraud and exploitation scams, some of which have impacted Hong Kong (e.g. face mask scams). The changing financial behaviour, including the rising number of customers unfamiliar with online platforms, also increase vulnerabilities to the banking system globally and locally. While AIs continue to work closely with the HKMA and assist law enforcement agencies' investigations to deter such scams and recover assets concerned, it is important that AIs should remain vigilant to emerging ML/TF risks and ensure that they continue to focus on priority areas and effectively mitigate risks through information sharing and detecting and reporting suspicious transactions to the Joint Financial Intelligence Unit (JFIU). Where an AI encounters issues in reporting to the JFIU, they should discuss with the HKMA and the JFIU without delay.

Ongoing outreach and advice

The HKMA is also in touch with AIs to understand the challenges they are facing and recognises that maintaining normal operations of AML/CFT systems may not be achievable in all cases. Where there is a short-term impact on an AI's ability to meet a particular obligation, the AI concerned should maintain a record of the circumstances, the risk assessment that has been performed as well as any mitigation measures being taken. The HKMA is using its supervisory tools flexibly in this period and reiterates that its risk-based approach to AML/CFT supervision does not require or expect a "zero failure" outcome⁴.

³ Including the HKMA circular "Remote on-boarding of individual customers" of February 2019 (<https://www.hkma.gov.hk/media/eng/doc/key-information/guidelines-and-circular/2019/20190201e1.pdf>)

⁴ HKMA Circular "De-risking and Financial Inclusion" issued in September 2016 (<https://www.hkma.gov.hk/media/eng/doc/key-information/guidelines-and-circular/2016/20160908e1.pdf>)

We also support public-private partnership in the sharing of information and typologies to help prioritise and address key ML/TF risks, particularly those related to fraud linked to COVID-19. Moreover, the HKMA also continues its active participation in the FATF discussion as well as ongoing dialogues with other supervisors and regulators to identify and share good practices in response to common issues faced in many affected jurisdictions.

The HKMA will continue to work constructively with AIs to keep its assessment of the situation up-to-date and address practical AML/CFT issues that may be related to COVID-19 in the most pragmatic manner, including through the provision of further guidance to support the current industry efforts in the light of evolving situation. For any question about this circular, please approach the HKMA through their usual contacts in the AML & Financial Crime Risk Division or aml@hkma.iclnet.hk.

Yours faithfully,

Carmen Chu
Executive Director (Enforcement and AML)